

**Congress of the United States**  
**Washington, DC 20515**

May 18, 2020

Jerome H. Powell  
Chair of the Board of  
Federal Reserve  
20th Street and Constitution Avenue N.W.  
Washington, D.C., 20551

Dear Chairman Powell:

We write to urge the Federal Reserve to join the Network for Greening the Financial System (NGFS) as an active member.

In October 2018, the United Nations Intergovernmental Panel on Climate Change (IPCC) released a report detailing the grave and imminent danger of failing to act immediately on climate change. The report found that we must limit global warming to 1.5°C to avoid catastrophic sea level rise, polar ice cap melting, and habitat destruction. Without rapid, unprecedented changes to all sectors of society, we will not be able to limit global warming to 1.5°C.<sup>1</sup>

Climate change poses a systemic risk to our financial institutions, which will have to address the physical risks from extreme weather events and the transition risk associated with greenhouse gas emissions reductions. In 2019, there were 14 weather events that cost over \$1 billion each in the United States, a significant increase over the annual average of 6.5 events between 1980 and 2019.<sup>2</sup> These events will multiply as our planet warms and cause even greater economic losses. In addition, the IPCC estimates that energy-related investments will have to reach \$830 billion to limit warming to 1.5°C.<sup>3</sup> However, the cost of reducing emissions will be much lower than the costs of a world with 2.0°C warming, as more extreme weather will damage property, crops, and other assets.<sup>4</sup>

Banks in the United States have exposed themselves to even greater risk by investing in the industries that will exacerbate the physical risk of climate change. Between 2016 and 2019, four American banks financed over \$800 billion in fossil fuel investments, 30 percent of all global

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<sup>1</sup> IPCC, <https://www.ipcc.ch/2018/10/08/summary-for-policymakers-of-ipcc-special-report-on-global-warming-of-1-5c-approved-by-governments/>

<sup>2</sup> NOAA, <https://www.ncdc.noaa.gov/billions/>

<sup>3</sup> IPCC, [https://report.ipcc.ch/sr15/pdf/sr15\\_spm\\_final.pdf](https://report.ipcc.ch/sr15/pdf/sr15_spm_final.pdf)

<sup>4</sup> NGFS Report, *A Call for Action: Climate change as a Source of Financial Risk*

fossil fuel financing.<sup>5</sup> Banks will also suffer losses with mortgages, agricultural loans, and commercial real estate from increased frequency of fires, floods, and hurricanes.<sup>6</sup>

In response to these threats, eight central banks established the NGFS in December 2017 to meet the goals set forward in the Paris agreement. These countries acknowledge that “climate-related risks are a source of financial risk. It is therefore within the mandates of central banks and supervisors to ensure the financial system is resilient to these risks.”<sup>7</sup> Today, there are 55 active members, including the central banks of Canada, China, Germany, and most European countries.

After seeing the impact that the spread of COVID-19 has had on our nation’s financial system, we believe it is more important than ever to prepare for future external shocks. However, the COVID-19 pandemic will end, and we will be able to begin recovery and rebuild our economy. Climate change, on the other hand, is fundamentally changing the risks our financial system will have to face over the decades to come.

We are encouraged that the Federal Reserve has expressed interest in joining the NGFS. In her remarks at the Federal Reserve of San Francisco’s first ever climate research conference, Federal Reserve Governor Lael Brainard stated that “we are in discussions about how we might participate in the Central Banks and Supervisors Network for Greening the Financial System in order to learn from our international colleagues’ approaches to measuring and managing climate risks in the financial system.”<sup>8</sup>

We cannot allow the rest of the world to leave us behind in paving a path forward to address the economic impact of climate change. We ask you to help the United States take a leadership role in addressing the financial repercussions of climate change by joining the NGFS.

Sincerely,



Mike Levin  
Member of Congress

/s/

Suzanne Bonamici  
Member of Congress

/s/

Jesús G. “Chuy” García  
Member of Congress



Sean Casten  
Member of Congress

/s/

Deb Haaland  
Member of Congress

/s/

Stephen Lynch  
Member of Congress

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<sup>5</sup> Rainforest Action Network, [https://www.ran.org/wp-content/uploads/2020/03/Banking\\_on\\_Climate\\_Change\\_\\_2020\\_vF.pdf](https://www.ran.org/wp-content/uploads/2020/03/Banking_on_Climate_Change__2020_vF.pdf)

<sup>6</sup> Center for American Progress, <https://cdn.americanprogress.org/content/uploads/2019/11/20072438/Climate-Change-Financial-Stability-brief.pdf>

<sup>7</sup> NGFS Report, *A Call for Action: Climate change as a Source of Financial Risk*

<sup>8</sup> Federal Reserve, <https://www.federalreserve.gov/newsevents/speech/brainard20191108a.htm>

/s/  
Jared Huffman  
Member of Congress

/s/  
Alan Lowenthal  
Member of Congress

/s/  
Jerry McNerney  
Member of Congress

/s/  
Scott Peters  
Member of Congress

/s/  
Cindy Axne  
Member of Congress

/s/  
Rashida Tlaib  
Member of Congress

/s/  
Carolyn B. Maloney  
Member of Congress

/s/  
Josh Harder  
Member of Congress

/s/  
Jamie Raskin  
Member of Congress

/s/  
Katie Porter  
Member of Congress

/s/  
Harley Rouda  
Member of Congress

/s/  
Nanette Diaz Barragán  
Member of Congress

/s/  
Joe Neguse  
Member of Congress

/s/  
Darren Soto  
Member of Congress

/s/  
Denny Heck  
Member of Congress

/s/  
Ayanna Pressley  
Member of Congress

/s/  
Alexandria Ocasio-Cortez  
Member of Congress

/s/  
Madeline Dean  
Member of Congress

/s/  
Michael F.Q. San Nicolas  
Member of Congress

/s/  
Ilhan Omar  
Member of Congress

/s/  
Alcee L. Hastings  
Member of Congress

/s/  
Gilbert R. Cisneros, Jr.  
Member of Congress

/s/  
Juan Vargas  
Member of Congress

/s/  
Jimmy Panetta  
Member of Congress

/s/  
Jan Schakowsky  
Member of Congress

/s/  
Nydia Velázquez  
Member of Congress

/s/  
Barbara Lee  
Member of Congress

/s/  
Derek Kilmer  
Member of Congress

/s/  
Peter Welch  
Member of Congress

/s/  
Robert C. "Bobby" Scott  
Member of Congress

/s/  
Steve Cohen  
Member of Congress

/s/  
Eleanor Holmes Norton  
Member of Congress

/s/  
Joseph P. Kennedy, III  
Member of Congress

/s/  
Bill Foster  
Member of Congress

/s/  
Earl Blumenauer  
Member of Congress

/s/  
Pramila Jayapal  
Member of Congress

/s/  
Susan A. Davis  
Member of Congress